Control Number: 50664

Item Number: 91

Addendum StartPage: 0

PULSE POWER

March 25, 2020

PUBLIC UTILITY COMMISSION OF TEXAS
RECEIVED
MAR 25 2020
BY
FILING CLERK

Chairman DeAnn T. Walker
Commissioner Arthur C. D'Andrea
Commissioner Shelly Botkin
Public Utility Commission of Texas
1701 N. Congress Avenue
Austin, Texas 78701

Re: Project 50664 - Response to Commissioner Memorandum

Dear Commissioners:

Pulse Power offers the following comments to Chairman Walker's March 22, 2020, Commissioner Memorandum. As a Texas-based company serving only the Texas market, Pulse Power is dedicated to helping our fellow Texans during these trying times. Pulse Power, through our family of brands, offers some of the more cost-effective plans to help Texans save every month on their power bill. We offer a wide variety of plans to meet the needs of all consumers – from bundled and unbundled fixed price rates, bill credit plans, flat fee plans, solar plans, and even TOU plans that offer free nights or weekends.

The Federal stimulus package eliminates the need for the Chairman's proposed orders. It does not make sense for the Commission to adopt these exceptions in light of the stimulus and given the detrimental impact they are likely to have on the overall competitive landscape of the deregulated energy market in Texas.

The customers that Chairman Walker is looking to help during this crisis are receiving significant assistance through the new stimulus package. According to reports, each person earning under $75,000 per year will receive a one-time stipend of $1,200, plus $500 per child in the household. For a family of four, that is a one-time payment of $3,400.[1] Specifically looking at persons recently unemployed because of the economic situation, the average Texas unemployment payment is $246 per week, and the new stimulus package adds $600 per week to that for the next four months.[2] That means that a family of four with only a single-earner household would receive an initial payment of $3,400 and then receive $3,384 per month for enhanced unemployment benefits. The average balance on the pending disconnections for non-pay for Pulse customers is only $151, or approximately 4.5% of the monthly income these impacted persons will be receiving.

Additionally, the proposed funding for this program creates a massive transfer of wealth from businesses and unqualified residential customers to the qualified customers that are already being helped by the stimulus package. In recent calls with market stakeholders, including TDUs, Retailers, and Staff, the total cost of the program was estimated at over $400 million. This additional tax would be applied across all customer classes and would create additional economic hardship on businesses coping with the economic downturn as well as residential customers that may be impacted but may not qualify for unemployment and therefore the proposed Relief Program.

From the retailers' perspective, the administration of this program will be a logistical, operational, and economic burden. Billing and accounting systems rely on complex and finely-tuned market transactions, as well as consistent application of payments and write-offs so that the millions of Texas customers can receive an invoice, make a payment, as well as access their usage and payment data online. The manual requirements for the administration of this program will increase the cost to serve customers in general and will inevitably lead to errors. In addition, as outlined below, the under-reimbursement of energy and administrative costs to retailers will have an immediate and negative impact on all retailers, the net result of which may be the loss of all but the largest players in the market. Vistra Energy CEO Curtis A. Morgan says the current climate does present an opportunity for consolidation in the retail market, as weaker providers face pressures. Morgan said that Vistra is "on the lookout" and is "prepared" if a retail acquisition opportunity presents itself." "This is an environment where you could see that happen," Morgan said of such retail acquisitions. Morgan said that any of such retail M&A opportunities "are not going to be large in size." [3]

If the Commission ultimately decides to move forward with the Relief Program as outlined in the Chairman's memo, then we ask for clarification/limitation on two aspects of the memorandum and modification on one important provision:

1) The Chairman mentions an exception to 25.480(c), which applies to the application of late fees. Obviously, the Chairman is looking to temporarily suspend the application of late fees for consumers qualified under the Relief Program. Pulse asks that this exclusion be limited to only the customers eligible for the Relief Program, not the entire base of all customers.

2) The Chairman mentions that customers eligible for the Relief Program would be deemed as establishing satisfactory credit for the purpose of 16 TAC § 25.478(a). Minimum credit criteria are an important requirement of most retailers' loan and credit sleeve agreements, and so waiving minimum credit requirements for new customers would force retailers to violate these provisions or remove offers from public websites, effectively raising rates for all customers. In addition, with a maximum reimbursement of only $0.0400, the Commission would be forcing retailers to accept customers guaranteed to lose the retailer money. Pulse asks that this exclusion apply only to existing customers, not new customers.

3) The Chairman mentions a reimbursement amount of only $0.0400 per kWh for the retailers on the energy portion of the bill. The current weighted energy-only costs for a 12-month term is over $0.0500 for most zones in Texas, and this does not include any of the costs to service the customer, such as billing, customer service, credit fees, etc. By contrast,

PULSE POWER

the TDUs would receive full payment of all their statutory fees, which include these administrative costs by definition, as well as their approved profits per the rate cases. The suspension of DNPs coupled with an under-reimbursement of legitimate costs incurred will create a severe economic impact on retailers. Pulse asks that the REP portion of the reimbursement from the fund be adjusted by one of the following alternatives (listed in order of preference):

a. Reimburse the REPs the full cost of the energy bill for the customer. The customer chose their plan and committed to a certain term as part of the contracting process. The REP would not be able to change the plan if the customer is already enrolled, and there could be some sort of cap, like the current POLR rate, as the maximum rate.

b. Reimburse the REPs at $0.0400 but allow the REPs to recover the deficiency from the customers after the program is lifted. The deficiency amounts would be placed on a deferred payment plan along with a corresponding switch hold.

c. Reimburse the REPs a more reasonable market-based rate such as $0.0600, such rate could be adjusted monthly based on a forward 12-month weighted average energy curve. This would cover the raw energy cost as well as administrative costs such as billing, customer service, credit fees. Most of these customers are not on a real-time index rate, so basing the reimbursement on that trailing average does not adequately reflect the energy costs to serve the qualified customers.

The vibrant Texas deregulated market depends on a level playing field for all market participants. Competition drives down prices, increases innovation, and provides a check on the market dominance of the largest consolidating players. The changes requested will help to ensure that all retailers can continue to provide all Texans with this essential service affordably and reliably.

Sincerely,

C. Thomas Schmidt
General Counsel, Pulse Power, LLC

Referenced Sources:

1. Werner, Erica, BeBonis, Mike, and Kane, Paul, "Senate to vote Wednesday on $2 trillion coronavirus bill after landmark agreement with White House", Washington Post, March 25, 2020
2. Douglas, Erin, "As Texans flood state with unemployment apps, reserves to pay benefits are dangerously low", Houston Chronicle, March 21, 2020
3. Ring, Paul, "Vistra 'On The Lookout' For Acquisition Of Stressed Retail Providers", Energy Choice Matters, March 24, 2020